

Message Text

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ACTION NEA-10

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 5872

INFO AMEMBASSY KATHMANDU

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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E.O. 11652: N/A

TAGS: ETRD, ECON, IN, NP, EALR

SUBJECT: INDO-NEPAL ECONOMIC RELATIONSIPS

REF: KATHMANDU 1849

SUMMARY: NEPALESE COUNSELOR OF EMBASSY IN DELHI, J.P. RANA, TOLD EMBOFF ON MAY 6 ABOUT FUTURE TRADE AND TRANSIT TREATY NEGOTIATIONS, EXPORTS OF NEPALESE RICE TO INDIA, SUPPLY OF INDIAN QUOTA GOODS AND JOINT VENTURES BETWEEN THE TWO COUNTRIES. END SUMMARY.

2. TRADE AND TRANSIT TREATY NEGOTIATIONS. RANA SAID THAT NEGOTIATIONS ON THE TREATY WILL BEGIN IN NEW DELHI IN JUNE. HE EXPECTS FOUR OR FIVE DIFFERENT SESSIONS BEFORE THE NEGOTIATIONS ARE COMPLETED, HOPEFULLY BEFORE THE EXPIRATION OF THE PRESENT TREATY ON AUGUST 13. HE NOTED THAT NEPAL IS HOPING THAT THE GOI WILL SPELL OUT CLEAR GUIDELINES FOR THE OPERATION OF THE TREATY - E.G., THE LIMITED OFFICIAL USE

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PRICES NEPAL IS EXPECTED TO PAY FOR INDIAN GOODS.

2. RICE EXPORTS. RANA SAID THAT NEPAL HAS 100,000 MT OF RICE TO EXPORT TO INDIA THIS YEAR. THE GOI HAS AGREED THAT ONE HALF OF IT (50,000 MT) CAN BE SOLD DIRECTLY TO STATES OR TO PRIVATE PARTIES IN INDIA. HOWEVER, THE NEPALESE MUST GET TRANSIT PERMITS AND NO OBJECTION CERTIFICATES BEFORE THE RICE CAN BE SOLD IN PARTICULAR INDIAN LOCALITIES, BUT RANA SAW NO MAJOR PROBLEMS IN OBTAINING THEM. HE SAID THAT THE GON HAS ALREADY SOLD SOME RICE THIS YEAR TO KERALA AT RS.210 PER QUINTAL AND HOPED THAT THE REMAINDER OF THE 50,000 MT COULD BE SENT TO KERALA, MAHARASHTRA AND PERHAPS ORISSA AND WEST BENGAL AT PRICES CLOSE TO RS.220 PER QUINTAL. RANA NOTED THAT NEPAL HAD TO SELL ("CANALIZE") THE OTHER HALF OF ITS RICE TO THE FOOD CORPORATION OF INDIA (FCI). THE NEPALESE AND FCI ARE PRESENTLY NEGOTIATING IN NEW DELHI ABOUT THE PRICE, BUT ARE STILL QUITE FAR APART. ACCORDING TO RANA, THE GON IS HOPING FOR A PRICE THAT WILL JUST COVER THEIR COSTS (APPROXIMATELY RS.218 PER QUINTAL), BUT WILL SETTLE FOR A SLIGHTLY LOWER PRICE. HE NOTED THAT FCI IS A HARD BARGAINER AND IS WILLING TO USE LEVERAGE BECAUSE THE CORPORATION KNOWS THAT NEPAL HAS TO GET RID OF ITS RICE AND INDIA HAS A PRESENTLY FAVORABLE SUPPLY POSITION IN THIS COMMODITY.

3. SUPPLY OF QUOTA GOODS. RANA SAID THAT INDIA HAD SATISFACTORILY MET NEPALESE DEMANDS FOR MOST OF THE 14 QUOTA ITEMS BEING SUPPLIED TO NEPAL. HOWEVER, INDIA HAD NOT BEEN FORTHCOMING IN ALUMINUM INGOTS. (COMMENT: THE NEPALESE HAD REPORTEDLY ASKED FOR 1500 MT BUT ARE EXPECTED TO RECEIVE ONLY 300 MT. THIS UNRESPONSIVENESS IS PUZZLING TO US BECAUSE OF THE PRESENT GLUT OF ALUMINUM INGOTS ON THE INDIAN MARKET.) ALSO, BECAUSE THE TWO SIDES HAVE NOT YET AGREED ON THE PRICE OF INDIAN COAL, THE GON HAS NOT YET OFFICIALLY REQUESTED IT.

4. JOINT VENTURES. ACCORDING TO RANA, THE RECENT VISIT OF PRIME MINISTER GIRI TO INDIA RESULTED IN AGREEMENT IN PRINCIPLE ON JOINT VENTURES IN CEMENT AND PAPER PLANTS. NEGOTIATIONS ARE NOW TAKING PLACE IN NEW DELHI ABOUT IMPLEMENTING THIS AGREEMENT. RANA SAID THAT THE GON LIMITED OFFICIAL USE

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WANTS THE INDIANS TO SUPPLY FINANCIAL AND TECHNICAL ASSISTANCE, IN COOPERATION WITH OTHERS, IN SETTING UP PLANTS IN NEPAL.
SAXBE

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